

Exception

The only time taxpayers may fully deduct points in the year they pay them is when all of the following apply:

- They itemize deductions
- Their loan is secured by their main home
- They use the loan to buy or build their main home
- They use the cash method of accounting (they report income the year received and deduct expenses the year paid)
- Paying points is an established business practice in the area where the loan was made
- The points were not more than the points generally charged in the area
- The points were not paid in place of appraisal fees, title fees, attorney fees, and property taxes, or other amounts ordinarily stated on the settlement statement
- The points are shown as paid from either the taxpayer's or the seller's funds
- The points were computed as a percentage of the mortgage principal
- The amount is clearly shown on the settlement statement as points charged for the mortgage
- The funds the taxpayer and seller provided at or before closing were:
 - At least as much as the points charged
 - Not borrowed from the taxpayer's lender